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The Philippines: A Perspective on the Review of the Military Bases Agreement

An Intelligence Assessment

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Key Judgments

*Information available
as of 8 November 1982
was used in this report.*

Following up on President Marcos's state visit in September, Manila has begun to prepare for next year's review of the Military Bases Agreement.

The success of the negotiations from the US perspective will depend on a number of factors that we cannot now forecast with any precision, such as Marcos's choice of a chief negotiator and willingness to become actively involved if the talks are moving slowly. On balance, however, there is a high probability that the sessions will go more smoothly than the last review, which took nearly four years to complete. Manila will be better prepared, domestic politics will be less of a distraction, and, unlike last time, the Philippine Government appears to want to conduct talks on a friendly rather than on an adversary basis. In addition, excellent bilateral relations rule out the shifts in Philippine negotiating objectives that derailed the last round of talks at critical junctures.

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There is nonetheless a possibility that the review will again bog down. Manila has expectations that are probably inflated as a result of the "euphoria" over Marcos's highly successful state visit.

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Philippine negotiators are also using the last review as a learning tool in developing negotiating tactics, so they stand to be better prepared in attempting to extract concessions from Washington.

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In April 1983 Washington and Manila will begin a formal review of the 1947 Military Bases Agreement. There is one precedent for both sides to draw on—the round of negotiations completed in 1979 that led to the present arrangement covering 1980-84. At that time, US and Philippine authorities added an amendment to the original bases agreement calling for a “reassessment of the Agreement’s duration, objectives, and manner of implementation” every five years until termination. Next year’s sessions thus will set operating terms for the bases during 1985-89. The review will also include negotiations on US pledges of security-oriented financial assistance covering the same period.

The 1975-78 Review

The 1979 amendment was the culmination of a process that actually began in 1975 (see appendix). Negotiations were protracted, partly because Manila was not well prepared, but also because both sides changed negotiating objectives frequently. Marcos had to deal indirectly with two US presidents and directly with three US ambassadors. His personal involvement, and that of high-level US officials outside of the formal talks, was ultimately required to conclude negotiations, which foundered at the technical level on differences over major and minor issues.

General Philippine Objectives. Manila began the negotiations with two basic objectives: financial compensation for use of the bases and symbolic US recognition of Philippine sovereignty over them. These requirements meant that financial compensation had to take the form of rent rather than economic aid. Manila also wanted the compensation to facilitate modernization of the Philippine armed forces, thus transferring external defense capability to the Philippines itself.

The sovereignty issue rather than compensation, however, arose most frequently and in more varied forms in the negotiations. Even in the early 1970s, prior to

the agreement that a formal review process would be held, criminal jurisdiction over US servicemen, the tax status of US personnel earning income from the bases, customs duties, and immigration through the bases had emerged as contentious issues in the administration of the bases. Sovereignty concerns on the Philippine side caused negotiations to break down in 1976 and accounted for most of the subsequent shifts in Manila’s negotiating positions.

The Pace of Negotiations. Domestic political developments in both countries largely explain why agreement took so long to accomplish. In the United States, the Carter administration’s human rights emphasis on foreign policy caused a major change in the direction of the negotiations in early 1977. On the Philippine side, elections in April 1978 for the National Assembly provoked Marcos into nationalistic posturing that is traditionally an important part of a Philippine election campaign. Thus one month prior to the election, Marcos rejected an offer of \$450 million in US financial aid as insufficient, citing an earlier offer of \$1 billion by Secretary of State Kissinger in the Nixon administration, which was declined. Marcos’s move delayed agreement by at least six months.

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Six other shifts in negotiating positions by the two parties shaped the final amendment. The United States compromised twice on major issues: once in 1975 when President Ford initially recognized Manila’s desire to change the terms of the Agreement to recognize Philippine sovereignty, and again in 1977 when President Carter agreed to make concessions on the issue of base control and command. Marcos also made concessions that on several occasions reestablished the momentum of the negotiations after they had broken down. In January 1978 he agreed to set aside negotiations on the Base Labor Agreement and the matter of criminal jurisdiction, while accepting the US administration’s “best effort” to obtain compensation from Congress rather than a formal commitment to a specific schedule of financial assistance.

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In addition, Marcos responded positively to overtures by US Senator Inouye in October 1978—when negotiations were deadlocked—facilitating compromises on several other remaining differences between the two sides. [redacted]

Unresolved Issues. Despite the signing in January 1979, the negotiations failed to resolve several key issues. In financial matters, Manila did not succeed in having the amount of economic support decided separately. It wanted all financial assistance either to take the form of "rent" or have direct military application. In fact, several US officials believe Marcos may have accepted the \$250 million Economic Support Fund supporting infrastructure development in the vicinity of the bases only to make the package acceptable to the US Congress, whose concern for human rights required evidence that financial assistance would benefit the ordinary Filipino. [redacted]

Manila also failed to realize all of its sovereignty objectives. Disagreements over the treatment of Philippine labor employed at the bases as embodied in the Base Labor Agreement; customs, immigration, and quarantine procedures governing the treatment of US personnel and materials entering the Philippines through the bases; and criminal jurisdiction over US personnel were never fully resolved. Overall, negotiations proceeded to a conclusion only because the two parties were willing to set these contentious issues aside for other negotiating forums at a later time. Except for customs, immigration, and quarantine procedures, these differences remained unresolved through the fall of 1982. [redacted]

The Current Picture

[redacted]
[redacted] Philippine officials are using the last review as a learning tool in developing a negotiating strategy. As a result, they may be better prepared to negotiate on matters that are of greatest concern to them. [redacted]

Despite President Marcos's recent claims that all outstanding differences can be easily settled, potentially thorny negotiating problems remain. [redacted]

[redacted] Manila is in some ways no more satisfied with the existing arrangement than it was prior to the 1975-78 round of negotiations. It is especially unhappy with the terms of US financial assistance, which it regards as a simple subsidy for US military exports. Negotiating panels on both sides also will face the necessity of having to compress into nine months formal talks that took nearly four years to complete during the last review, if the agreement is to be signed in January 1984 as planned. [redacted]

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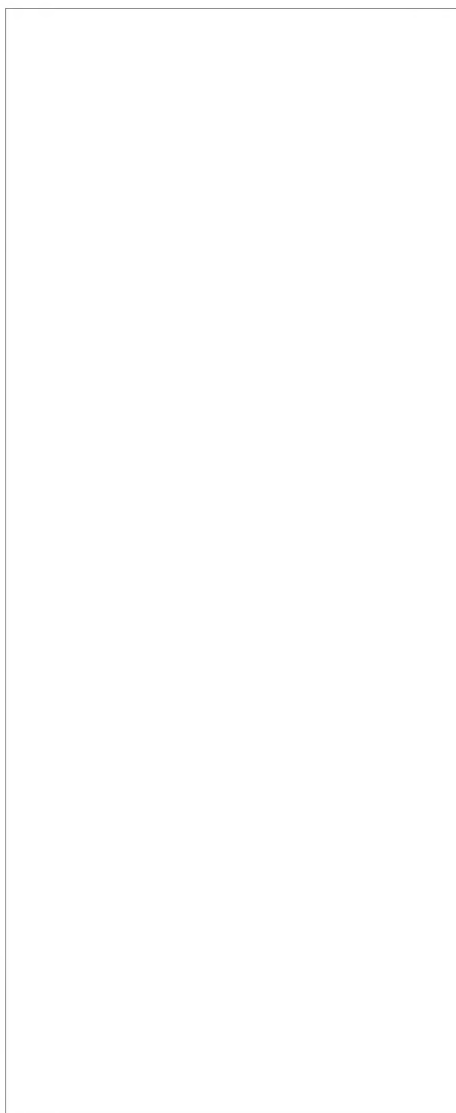
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Manila is likely to resist decreases in military grants offset by equivalent increases in Foreign Military Sales credits. Moreover, Manila is concerned that concessions it obtains on the overall compensation package "supplement and not supplant" other forms of US economic assistance. 

Developments Since Marcos's Visit. Since the state visit, the Military Bases Review is receiving attention at much higher levels within the Philippine Government, and the technical committee has begun to revise Manila's initial targets.

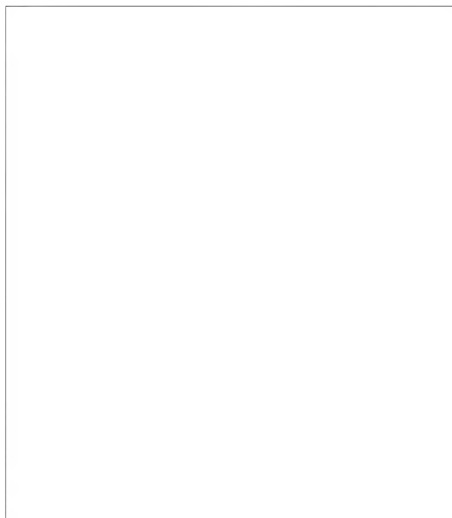


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Moreover, Marcos has been repeatedly assured by senior US officials, most recently during his state visit to Washington, that the current US administration fully supports his government and recognizes his value as an ally. As a result, we believe he has ruled out a repeat of the trouble he had with the Carter administration over human rights concerns, and this almost certainly has added to his perception of a strong negotiating position.

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Manila's Expectations. Whatever Manila's specific negotiating targets turn out to be, the outcome of the review promises to be heavily influenced by the expectations Marcos and his senior negotiators bring to the talks. Marcos knows, for example, that US election politics are uncertain and that the present US administration may be far more favorably disposed toward his government than future administrations. He may thus expect the 1983 review to provide an opportunity that he will not see again, and he may begin the talks with undue optimism.

Looking Ahead

We believe there is a good likelihood that negotiations will proceed far more smoothly than in 1975-78. Manila has gotten off to a good start preparing for the negotiations and still has time to sort out its goals and strategy. Bilateral relations are excellent in the wake of the highly successful state visit by Marcos in September.

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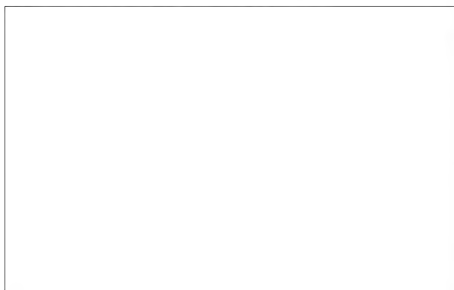


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Manila also has an incentive to bring negotiations to a timely conclusion by early 1984. This would enable Marcos to appeal simultaneously to Philippine nationalism

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and to a popular Filipino desire to retain a close security relationship with the United States when the National Assembly election campaign begins. [REDACTED]

Even so, we cannot rule out the possibility that negotiations will encounter serious obstacles. If either of the two sides brings unreasonable expectations into the review, negotiations could drag on well into 1984, when National Assembly elections will become Marcos's overriding concern. If this happens, we believe Marcos would posture as an equal to the United States for the domestic political audience, thus making concessions, and a quick end to the negotiations, more difficult. In addition, the Philippine economy—and the defense budget—are in much worse shape than during 1975-78, and this might harden Manila's attitude on financial matters. Furthermore, if Marcos decides to step down when his current six-year term expires in 1987, the 1983 negotiations would be his last chance to leave a mark on the Philippines' bilateral security relationship with the United States. We believe he would attach considerable importance to such an opportunity. [REDACTED]

Any deviations from the most likely scenario—relatively smooth negotiations—thus would be for the worse. Chances of deviations occurring will be altered considerably as circumstances and Manila's perceptions change before the talks commence. Recognizing that some issues, such as the compensation package and sovereignty, for example, carry more weight in Manila's calculations than others, the list below is intended to give early warning of impending difficulties [REDACTED]

From the US perspective, the negotiations are likely to proceed smoothly if:

- With regard to general Philippine attitudes:

- Manila is willing to sign an amendment that does not resolve contentious issues, relegating them to subsequent negotiating forums.

- Philippine negotiators enter the negotiations with a reasonable set of expectations regarding what the United States is prepared to grant in the way of compensation.

- Philippine negotiators are aware of the need to submit a compensation package in time for deliberations by the US Congress, and they have an accurate idea of what Congress is prepared to approve.

- Manila adopts a step-by-step approach, as Prime Minister Virata has suggested, leaving contentious issues for last.

- Marcos selects a moderate other than Cesar Virata to head the negotiating panel. This presumably would permit Washington greater direct access to Marcos by skirting the Prime Minister's office.

- Virata keeps Imelda Marcos from assuming de facto chairmanship of the powerful Executive Committee, thus reducing her role in and leverage on the review process. 25X1

- There is a commonality of interests among the Philippine institutions involved in the negotiations: the Ministry of National Defense, the Ministry of Foreign Affairs, the Office of the Prime Minister, the National Economic and Development Authority, and the Ministry of Justice. This would minimize shifts in negotiating objectives.

- Manila continues to expect the next US administration to be less favorably disposed to the Marcos government and expects a change in the US administration in 1984. This would increase Manila's willingness to compromise late in the negotiations, although it could also lead to aggressiveness early on. 25X1

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- With regard to the personal involvement of Marcos:
 - He is willing to become involved if things are going slowly.
 - He, or his senior negotiators, are willing to ignore advice by junior-level advisers that the Philippine side be very aggressive in favor of a smooth review process.
 - He is inclined to force a consensus among various Philippine institutional constituencies, such as the Ministry of National Defense or the Ministry of Foreign Affairs, rather than allow them to bicker over individual negotiating requirements from Washington.
- With regard to Philippine politics and the Philippine economy:
 - Marcos is secure about the ruling party's chances in the 1984 National Assembly elections, thus minimizing his need to shape the negotiations for a domestic political audience.
 - The opposition fails in its bid to make the bases a nationalistic cause celebre, reducing Marcos's need to appeal to nationalism during the elections.
 - Manila believes that the Muslim and Communist insurgencies are under control.
 - Manila sees or expects signs of an upturn in the Philippine economy.
- With regard to other bilateral issues:
 - Outstanding bilateral trade, financial, and investment issues are being handled in such a way that Manila believes its position is being given due consideration.
 - Marcos still believes that Washington has suitably recognized the legitimacy of his leadership and his status as an international statesman.
- Manila compromises in its apparent determination to link the Military Bases Agreement review with the two other elements of the bilateral security arrangements that make up the triad, the 1951 Military Assistance Agreement and the 1951 Mutual Defense Treaty.
- With regard to events in the region and elsewhere:
 - Manila continues to expect a lack of progress toward a joint Association of Southeast Asian Nations (ASEAN) security assistance agreement, thus increasing its reliance on the United States.
 - Manila believes Hanoi is posting new gains in Indochina or that the Vietnamese have new designs on the Spratly Islands.
 - Manila believes its relations with the Middle East are stagnating, thus increasing its sense of vulnerability over the Muslim rebellion.
- With regard to Manila's perceptions of US attitudes toward the rest of the world:
 - Manila perceives a buoyancy in Washington's relations with Beijing despite the recent cooling of relations, reducing its position as an important element in US strategic plans.
 - Manila perceives a thaw in Washington's relations with Moscow.
 - Manila perceives a trend toward toughness in Washington's dealings with other countries with US bases, such as Greece and Spain.

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Appendix

The 1979 Amendment: A Chronology

1972

June

Marcos requests from US Ambassador Byroade renegotiation of 1947 Military Bases Agreement.

September

Marcos declares martial law, citing a leftist threat to his government.

Late 1971 to
mid-1974

Technical panels meet. Contentious issues emerge early: shipping and navigation, customs duties, immigration, internal revenue tax exemptions, and criminal jurisdiction.

1975

Spring

Marcos reexamines the Philippine-US security relationship in light of US setbacks in Indochina. Control over bases and sovereignty are prominent sore points. Philippine foreign policy shows noticeable signs of independence from the United States.

July

Marcos publicly declares his unhappiness with the existing bases arrangement.

December

President Ford visits Manila intending to address Marcos's concerns. A joint communique reaffirms Philippine sovereignty in principle over the bases and recommends that negotiations resume.

1976

April

Secretary Kissinger presents Foreign Minister Romulo with a draft amendment in Washington. They agree to begin formal negotiations in June.

June

Negotiations begin in Baguio, north of Manila. Philippine draft amendment submitted for US consideration. Manila's positions differ dramatically from Kissinger's original proposals. It is apparent that the Philippine side does not have a comprehensive negotiating strategy, beyond a desire for up to \$2 billion in "rent." Ambassador to the United States Eduardo Romualdez declares that compensation and Philippine armed forces modernization will be the key elements in the negotiations. Five joint working groups are established to narrow outstanding differences. They cover: Facilities, Command and Control, Legal Affairs,

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Labor Agreements, and Taxation. There are three broad areas of disagreement: nuclear weapons storage, criminal jurisdiction, and command and control. These revolve around finding a balance between Manila's requirements regarding Philippine sovereignty over the bases and US requirements regarding unhampered use of the bases.

September

Negotiations end. The Philippine Ministry of National Defense completes a study of 25 unresolved issues. They concern 12 "minor" disagreements:

1. Demarcation of the facilities.
2. Manila's desire to stipulate force levels.
3. Technical cooperation.
4. Prior permission for the transit of nuclear-powered vessels.
5. Ownership and control of cartographic equipment.
6. Philippine control over use of natural resources at the bases.
7. Use of Philippine currency as legal tender at the bases.
8. Long-term ownership of buildings at the bases.
9. Whether the United States should bear the cost of reconversion of the facilities in the event it withdraws from the bases.
10. Whether disagreements not explicitly covered in the agreement are to be resolved automatically in favor of the Philippines.
11. Status of US military facilities not formally covered by the agreement.
12. Whether both language versions are authentic.

... and 13 "major" disagreements:

1. Terms of military use.
2. Coordination for Philippine use of the bases.
3. Storage of nuclear weapons.
4. Whether Manila can administer the bases in the event it deems Philippine security threatened.
5. The passage of nuclear weapons through Philippine airspace and sea lanes.
6. Authority of the Philippine commanders of the bases.
7. Whether the Filipino base commander controls the movement of ships through Subic Bay.
8. Philippine discretion over US military actions.
9. Jurisdiction over criminal acts by US personnel.
10. Taxation of US personnel.
11. Whether a Base Labor Agreement or Philippine labor law should govern labor relations.
12. The extent of support of Philippine armed forces modernization.
13. Duration of the agreement and manner of termination.

October to December

Three meetings between Kissinger and Romulo do not resolve differences. Manila fears the US Presidential election campaign could be an impediment to immediate further progress.

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December

Romulo announces tentative agreement after a fourth meeting with Kissinger. Compensation is to include \$1 billion, half in military assistance and half in economic assistance. Unhampered US use of the bases is assured. Romulo, however, has yet to consult Marcos.

December

Miffed with his Foreign Minister, Marcos denies an agreement has been reached, declaring the US compensation offer is insufficient. He wants \$1 billion in military assistance alone, with economic assistance to be decided separately.

1977

January

The Carter administration assumes office, emphasizing human rights as a key element of foreign policy.

February

Washington makes informal overtures to resume negotiations.

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September

Marcos appears to shift negotiating objectives from an emphasis on compensation and US recognition of Philippine sovereignty to US reaffirmation of the bilateral security commitment and US recognition of the legitimacy of his regime.

October

Imelda Marcos travels to Washington and sees Secretary of State Vance and delivers letter from Marcos to President Carter. She agrees with Carter that troublesome criminal jurisdiction issue should be negotiated separately. Carter suggests US willingness to compromise on issues of Philippine sovereignty and bases command.

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November

Joint working groups terminated.

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November

US Ambassador Newsome meets with Marcos, concedes Philippine bases command in principle except for special areas designated for US use.

December

Marcos orders his Cabinet out of negotiations in favor of a greater personal role for himself.

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1978

January

Assistant Secretary Holbrooke travels to Manila to meet with Marcos. Marcos concedes that:

- The criminal jurisdiction issue be set aside.
- An indication of the level of compensation to be sought by the US administration from Congress is sufficient, and an iron-clad pledge of financial aid is not required.
- The Base Labor Agreement dispute be set aside for negotiation in another forum.

Both sides agree to a regular five-year review of the original agreement and that amendments to the existing agreement are preferable to renegotiation of the original 1947 arrangement.

Five specific unresolved issues remain: delineation of Subic Bay waters, responsibility for Subic Bay watershed management, the precise duties of the Philippine commanders of the bases, the status of Crow Valley (a target range), and compensation for Philippine maintenance of the bases' perimeters.

February

Marcos asks the US administration what level of compensation it intends to seek from Congress.

February

President Carter reaffirms strategic value of Clark and Subic bases in the aftermath of the announcement of proposed troop reductions in South Korea. US side concludes that significant progress is imminent.

February

Washington suggests a five-year compensation package in the range of \$360-450 million: \$30-50 million in military grants, \$200-250 million in foreign military sales, \$130-150 million in Security Support Assistance. The last item is a category of assistance Manila has never received.

March

Marcos responds that the US proposal for compensation is insufficient and cites Kissinger's original offer of \$1 billion.

April

Philippine elections for the National Assembly are held. Some US State Department officials react sharply to observers' charges of massive vote fraud and suggest that Vice President Mondale not stop in Manila during his planned tour of Southeast Asia.

April

Mondale visits Manila. He and Marcos agree to proceed with negotiations and let them be handled by military officials on each side. Mondale agrees to acknowledge Philippine sovereignty over the bases and Marcos agrees to unhampered use of the facilities by the United States.

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August

Negotiating panels still unable to resolve outstanding disagreements. Imelda Marcos returns from Washington after aggressive questioning by Congress on human rights abuses. President Marcos orders negotiations suspended.

October

US Senator Inouye visits Manila and capitalizes on good personal relations with Marcos to warn him of Congressional resistance on compensation for the bases and criminal jurisdiction at the bases. He warns Marcos that agreement on compensation should be reached in time for submission of 1980 budget. Marcos is aware that Congress is not in a receptive mood.

December

Informal agreement is reached, with the Philippine bases commander's duties the subject of major compromise by the Philippines. Marcos personally resolves an impasse over compensation for Philippine administration of the bases' perimeters.

1979

January

President Carter pledges his best effort to secure a \$500 million compensation package. The amendment is signed on 7 January. It is later to be attacked in the Philippine National Assembly on a variety of grounds, including compensation, the watershed issue, and the flying of the Philippine flag over the bases.

January

A US State Department post mortem entitled "Why Did He Sign?" suggests three major reasons:

- Strategic reasons. Concern about new Soviet activity in the area, signals from Philippine allies that the bases are important to them, awareness of Japan's concern for the safety of its sea lanes, and concern about Washington's new relations with China supplanting those with the Philippines.
- Bilateral reasons. Marcos wanted more stable and warmer relations with the new Carter administration. Inouye's diplomatic overtures had helped.
- Domestic reasons. Marcos was satisfied that he had obtained US concessions on Philippine sovereignty, he showed a domestic audience that he could deal effectively with the United States, he saw the amendment as a legitimizing factor he thought he had been denied, he believed signing the agreement helped undercut his domestic opposition, and he needed to demonstrate that his administration could partially offset the adverse economic effects of OPEC oil price hikes.

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